

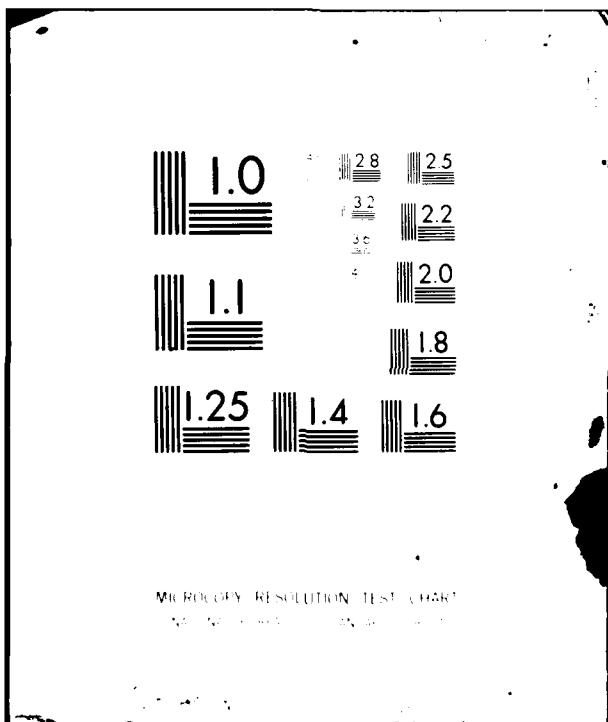
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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

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The Honorable Glenn English
Chairman, Subcommittee on Government
Information and Individual Rights
Committee on Government Operations
House of Representatives

Accession File
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JUNE 30, 1981

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Dear Mr. English:

Subject: Veterans Administration's Efforts to Improve the Management of Paper Records in the Department of Veterans Benefits - A Major System Acquisition Project (HRS-01-106)

Your predecessor requested that we review the Veterans Administration's (VA's) efforts to improve the management of the Department of Veterans Benefits (DVB) paper records. In subsequent discussions with your office, we agreed to provide a report on the status of these efforts. The enclosure contains the information we have developed.

DVB's \$26 million Micrographics and Automated Retrieval Systems project has not progressed sufficiently to permit a complete assessment. Further, the future of this project remains uncertain due to cuts in VA's fiscal year 1982 budget.

As requested by your office, we did not obtain written comments from VA on the matters discussed in this report. However, we discussed the report's contents with the responsible official in VA's Department of Veterans Benefits and have considered his comments in preparing this report.

As arranged with your office, we have limited distribution of the report to VA. Also, as arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days from its issue date. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Gregory J. Ahart
Director

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VETERANS ADMINISTRATION'S EFFORTS TO IMPROVE
THE MANAGEMENT OF PAPER RECORDS IN THE DEPARTMENT
OF VETERANS BENEFITS--A MAJOR SYSTEM ACQUISITION PROJECT

Pursuant to a request from the former Chairman, Subcommittee on Government Information and Individual Rights, House Committee on Government Operations, and subsequent agreements with the current Chairman's office, we are providing a report on the status of the Veterans Administration's (VA's) efforts to improve the management of the Department of Veterans Benefits (DVB) paper records primarily through the use of micrographics. ^{1/} This effort is DVB's Micrographics and Automated Retrieval Systems (MARS) project, which is being conducted as a major system acquisition pursuant to the Office of Management and Budget (OMB) Circular A-109--a uniform, executive branch procurement policy. (See p. 5.)

DVB's MARS project, estimated in 1980 to cost \$26 million over 8 years, has not progressed sufficiently to permit a complete assessment. Further, there is considerable doubt regarding the future of the project because of fiscal year 1982 budget cuts. DVB's current efforts are to convert only loan guaranty files to micrographics. Loan guaranty files are a small portion (3.2 million files) of DVB's total active record holdings (19.2 million files). DVB does not intend to study the need to convert its remaining record holdings until micrographic centers have been established for the loan guaranty files.

BACKGROUND

VA's fiscal year 1981 budget of about \$22.5 billion provides benefits and services to 30.1 million veterans, 57.8 million family members, and 3.6 million survivors of deceased veterans. Excluding general operating expenses of \$656 million, VA will use its budget in the amounts shown below in its three major programs:

- Construction programs consisting of \$534 million for VA facility construction and improvement.
- Medical programs consisting of \$6.6 billion for medical care and treatment of veterans and eligible beneficiaries in VA health care facilities, and medical research.

^{1/}Micrographics or microform are general terms used to refer to any information storage system that uses microimages, where the unit of information (e.g., a page of text or an engineering drawing) has been made too small to be read without magnification--such as microfilm or microfiche.

--Benefit programs consisting of \$14.7 billion (or 65 percent of VA's total budget) for compensation, pension, education, life insurance, loan guaranty, and other assistance to veterans, their widows, and beneficiaries.

The benefit programs are primarily administered by DVB through 60 field stations--58 regional offices and 2 insurance centers.

DVB's record holdings

Since the 1930s, DVB has relied on paper records to establish claims and maintain veterans' files. There are now over 54 million DVB files--about 20 million inactive files are stored at the General Services Administration's (GSA's) Federal Records Centers (FRCs), about 15 million infrequently used files are located at DVB's Records Processing Center (RPC) in St. Louis, Missouri, and an estimated 19 million generally active files are maintained at the 60 field stations. The following table shows a breakdown of the files by DVB program category.

<u>DVB program area</u>	<u>Number of files</u>		
	<u>Field stations</u>	<u>RPC</u>	<u>Total</u>
	<u>(millions)</u>		
Compensation, pension, education (note a)	10.5	15.0	25.5
Life insurance	4.7	-	4.7
Loan guaranty	3.2	-	3.2
Miscellaneous (note b)	.8	-	.8
	<u>19.2</u>	<u>15.0</u>	<u>34.2</u>

a/Major education programs for veterans only.

b/Includes principal guardianship, rehabilitation and associated training, and dependents' education allowance.

The majority--19.2 million files--of DVB's active record holdings are maintained in relatively expensive field station office space. DVB estimates that, of the total 782,000 square feet of floor space required to maintain the 34.2 million files in fiscal year 1980, about 62 percent (i.e., 488,000 square feet) is needed at DVB's field stations. The average annual rental for this floor space is an estimated \$3.9 million--\$7.97 per square foot--whereas the rental for the RPC floor space is \$0.7 million per year for 294,000 square feet--\$2.23 per square foot.

VA field station rental costs between fiscal years 1977 and 1980 show an overall cost increase of \$0.6 million as a result of higher energy and operating costs—an average increase of \$1.26 per square foot. While field office space rental costs have increased, there has been no significant increase in the actual number of new VA files at the field stations because of active file consolidation and relocation of inactive files to RPC. However, DVB estimates that field station space cost for active files will continue to rise, reaching about \$4.9 million by fiscal year 1982.

DVB's file retention periods

DVB maintains files which can span the life of a veteran from about the time of his separation from the service to his death and, sometimes, extend beyond his death to cover the life of his dependents. A file is created on the basis of some action taken by a veteran after his military service. For example, files are created as a result of a veteran's action to continue life insurance coverage available during periods of war or conflict, seek financial assistance for his education, acquire a loan guaranty, obtain disability compensation, or qualify for pension benefits. In addition, a veteran's survivors can (1) initiate file creation by seeking burial benefits for a deceased veteran who previously had no file or (2) continue file activity by obtaining dependency and indemnity compensation payments if the deceased veteran had a service-connected disability. DVB estimates that a veteran's compensation, pension, or education file could be maintained for an average of 125 years before it can be destroyed.

Accordingly, DVB's file retention periods by major program area are:

--Compensation, pension, and education files remain in a regional office from 6 months to 2 years after cessation of any running awards, pending claims, or active accounts receivable. The files are then transferred to the RPC where they remain until recalled by a regional office. At the veteran's death these files are transferred within 2 years to an FRC if there are no running awards or pending claims outstanding. The FRCs retain the files for an additional 75 years before they are destroyed.

--Life insurance files are maintained at the insurance centers throughout the veteran's life. Three years after payment of the face value of the insurance policy in one lump sum upon the veteran's death or the last monthly payment has been made on an annuity, the files are sent to an FRC where they are retained indefinitely.

--Loan guaranty files are maintained in a regional office 3 years after the loan guaranty is awarded before being transferred to an FRC where they remain for 32 more years before being destroyed.

OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of this review was to assess DVB's efforts to improve its present records management through the use of micrographics--the MARS project. Because DVB's MARS project is being administered at VA headquarters, we conducted our review at VA headquarters in Washington, D.C., and at the Washington, D.C., Regional Office where pilot tests of several alternative micrographic and word processing systems are being conducted to determine their DVB-wide applicability. Since records management is generally within the purview of GSA, and since the MARS project is being conducted in accordance with OMB Circular A-109, we contacted these organizations in Washington, D.C., to ascertain conformity of DVB's MARS project to applicable regulations.

No effort was made to determine the cost effectiveness of converting VA loan guaranty paper records onto microform since VA has not yet developed the cost data required under the OMB A-109 major system acquisition process. Because of the uncertainty of future funding and direction of the MARS project, we did not assess the extent of duplication between DVB automated and paper records, and the impact of this duplication on future MARS efforts.

We examined VA regulations and policies on records management and the use of micrographic systems. We also reviewed correspondence and progress reports on the MARS project, as well as prior VA studies dealing with the need to improve its record-keeping. We interviewed DVB officials, particularly those associated with the MARS project and the loan guaranty program, as well as VA Washington Regional Office personnel associated with the pilot tests.

PROGRESS TO DATE

Because of the increasing cost of maintaining veteran paper files, DVB has

- acted to more effectively utilize file storage space at its RPC,
- reduced file retention for some programs, and
- initiated the MARS project to develop alternatives to its paper file systems at its field stations.

Presently, VA occupies most of RPC's first and second floors, which it leases from GSA for record storage. To better utilize available space at the RPC, DVB requested GSA to raise the ceiling fixtures (i.e., lights, duct work, and pipes) to permit double stacking of file cabinets on the first floor. Once these renovations are completed--GSA expects to begin work in 1983--VA will be able to double stack their files on the first floor in half the space they presently occupy.

In 1980, GSA approved VA's request to destroy deceased veterans' files 75 years from the date of retirement to an FRC. (Before this approval, all veteran compensation, pension, and education files were kept indefinitely.) After experience has been gained with the 75-year retention period, GSA will reevaluate this lengthy retention period with the intent of shortening it. A GSA official told us that the reevaluation would probably be made in 1985 or 1986. VA is also developing a proposal that would limit FRC retention of and establish a destruction date for insurance files.

In May 1977, DVB initiated a study of its compensation, pension, and education files at the field stations. By early 1978, the study had been expanded to all veterans' files by including life insurance, loan guaranty, and miscellaneous files. The goal of this study was to determine alternative methods of storing, maintaining, and retrieving files--micrographic and word processing ^{1/} technologies are being explored. In September 1978, this study was approved by the Administrator as a major system acquisition project to be conducted in accordance with OMB Circular A-109.

MARS as an A-109 project

On April 5, 1976, OMB issued Circular A-109, which established a uniform policy for all executive branch agencies in acquiring a major system. This policy established a five-step process requiring (1) preparation of a mission needs statement, (2) exploration of alternative system concepts, (3) competitive demonstrations and validation of concepts, (4) full-scale development and initial production, and (5) full-scale production and implementation. Under this process, each agency head has the responsibility to ensure that all provisions of Circular A-109 are followed, which includes informing the Congress in the normal budget process of any major system acquisition programs. In addition, VA has established a \$15 million threshold for major acquisition programs;

^{1/}Word processing is a general term referring to highly specialized automatic data processing devices that are used to record, store, and display text in order to facilitate its manipulation, revision, and transformation into print.

i.e., if the life cycle costs exceed this threshold, the acquisition is to be pursued in accordance with OMB Circular A-109.

Under the first step, the specification of a mission needs statement initiates the process through the approval of the agency head to proceed with the second step. This was accomplished in September 1978, when the Administrator approved DVB's mission needs statement. The mission needs statement set forth DVB's overall mission and component programs, and related these to the increasing cost of maintaining its paper records system. The statement concluded that alternative methods must be developed to maintain DVB's current paper record holdings.

The second step in the A-109 process--exploration of alternative system concepts--includes designation of a program manager and charter, development of an acquisition strategy plan, solicitation of alternative system designs from industry, evaluation of the industry proposals, and approval by the agency head to proceed with selected alternatives for competitive demonstration under the third step. A program manager was designated in October 1978 and his charter was approved by the Administrator about 4 months later. Since DVB is currently testing and evaluating the cost effectiveness of word processing and micrographic systems to determine functional requirements, DVB has not prepared an acquisition strategy plan or a solicitation document.

Although DVB has had an approved A-109 project since September 1978, it did not appear in VA's congressional budget submittals until fiscal year 1982 when \$396,000 and 12 staff positions were requested for the project. An OMB official told us that approval of the project for major funding (VA's 1982 submittal is not considered by OMB as a major funding level) is dependent on an adequate justification including the preparation of an acquisition strategy plan. To support this project through fiscal year 1981, VA has used operating funds made available from other activities within DVB's budget.

During calendar year 1980, the program manager had two central office management analysts assigned to the MARS project--a third staff member was added in December 1980. Because the original level of effort required four analysts and because there was considerable resistance to substituting micrographic records for paper records by compensation, pension, and education program managers, the initial scope of work was reduced from all DVB veteran files to loan guaranty files. Accordingly, the MARS study group is developing its functional requirements by testing the application of word processing and micrographic equipment to loan guaranty files. These tests are being conducted in the Loan Guaranty Division of DVB's Washington, D.C., Regional Office (WRO test site).

MARS word processing equipment test

The MARS study group installed three IBM System 6 Word Processors, each with different capabilities, at the WRO test site and initiated testing in June 1980. The immediate purpose of this project is to seek and develop various uses of the equipment and to evaluate the cost effectiveness of these uses in comparison to current methods. Some examples of the applications under test are: storing and reporting information on case loads; tracking the status of cases; maintaining property management statistics on defaults; and processing letters to mortgagees on VA interest rate changes, notices of foreclosures, and liability releases. In December 1980, the MARS study group began application documentation, cost data collection, and functional requirements determination. This effort will not be completed until the end of fiscal year 1981. The estimated equipment rental and VA WRO personnel cost for this word processing equipment test is about \$32,000.

MARS micrographic equipment tests

To determine the feasibility of converting loan guaranty files to microform, the MARS study group proposed a test of closed loan guaranty files at the WRO test site. Two tests have been initiated--one was terminated in July 1980 and another is still in progress.

The first micrographic equipment test began in May 1980 and, because it proved a failure, was stopped in July. The MARS study group found the Eastman Kodak Company equipment, containing a planetary camera, did not satisfy loan guaranty operational needs; for example, the filming speed was too slow, the film itself could not be used with other manufacturers' equipment, and the system proved too sophisticated for DVB's loan guaranty record retrieval needs. During this test, 3,200 closed loan guaranty records dating from January 1977 to August 1979 were microfilmed. The total estimated cost of this test for equipment rental and temporary assigned personnel to conduct the test was about \$30,000.

In January 1981, DVB initiated a second test using rotary camera equipment from two manufacturers--Eastman Kodak Company and 3M Corporation. For this test, loan guaranty files closed from January 1980 to the present are being used. The principal purpose of this ongoing test is to determine whether micrographic equipment will perform cost effectively in a live operational environment. Although results of this second test will not be available until the end of June 1981, DVB estimates the total cost for equipment rental and temporary assigned personnel to conduct this test was about \$24,000.

CURRENT STATUS

VA's initial fiscal year 1982 budget provided for about \$396,000 and 12 staff positions for the MARS project. This was the first year specific funds had been approved by OMB for the project since its initiation. However, these funds and positions were deleted from VA's 1982 revised budget. Hence, the future of the MARS project is solely dependent on availability of other DVB funds for its continuance.

In addition, the scope of the MARS project is now uncertain because of a major reduction in VA's staffing levels--the 1982 revised budget reduced DVB's staff by over 1,800 positions, which represents an 11-percent decrease from 1981 levels. As a result, DVB, at the time we processed this report, was considering consolidation of selected operations in its 58 regional offices into three processing centers. If this consolidation occurs, the MARS project probably will not be conducted pursuant to Circular A-109 because, according to the program manager, the amount of micrographic and/or word processing equipment required should be greatly reduced, thus bringing system life cycle cost below VA's \$15 million A-109 threshold. The economics of a three center operation should result in better utilization of both equipment and staff.

If consolidation does not occur and the micrographic equipment test proves cost effective, the program manager plans to complete, the A-109 process and implement a full micrographic conversion of all loan guaranty files in the regional offices. To accomplish this task, micrographic equipment--cameras, retrieval devices, and readers--would be purchased for each of DVB's 50 regional offices that have a loan guaranty division, thereby establishing micrographic centers in each of these offices. The MARS study group has estimated an 8-year life cycle cost for the loan guaranty project at about \$26 million.

Because of the current uncertainty about the outcome of the equipment tests and the availability of funds in the future, VA does not now plan to study the application of micrographics to the other 16 million field station files maintained for the compensation, pension, education, and insurance programs.



